
Lack of Social Security savvy will be costly: BMO

By Editor Test Thu, Nov 8, 2012

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Many American retirees risk losing a significant amount of retirement income because they poorly understand their Social Security benefits, according to a new report from the BMO Retirement Institute.

The report, "Retirees Not Maximizing Social Security Retirement Benefits," showed that many retirees are taking their benefits too early and aren't aware of options and strategies that may raise their benefits.

While 91% of respondents to a BMO survey understood that waiting longer increases the monthly amount they will receive, almost half admitted they are currently collecting or planning to collect before full retirement age, the report said. Couples are particularly vulnerable since a claim impacts both for their combined lifespan and can significantly affect spousal and widow benefits.

The report also revealed several factors that influence when people begin taking Social Security:

Too many decisions: Since so many decisions take place at retirement it appears that too many options can result in confusion and paralysis, pushing many people to take Social Security early by default.

Lack of knowledge: Half of Americans (52%) are not knowledgeable about general strategies to maximize Social Security benefits and 62% have not actively looked for information. Sixty percent have not discussed their Social Security decision with anyone.

Doubts about Social Security: More than 80% of Americans doubt Social Security's viability, even though the program is solvent well into the 2030s.

Spousal benefit: Almost half (49%) of those surveyed say they lack knowledge about spousal benefits and 56% are uninformed about widow benefits. Under Social Security rules, a person can receive up to 50% of a spouse's benefit and a widow can receive 100% of a deceased spouse's benefit.

To view a copy of the full report, please visit: www.harrisbank.com/retirementinstitute.

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